

**RULES  
OF  
DEPARTMENT OF REVENUE  
INCOME TAX DIVISION**

**CHAPTER 560-7-3  
SUBSTANTIVE REGULATIONS**

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**560-7-3-.08 Partnerships**

**560-7-3-.08 Partnerships**

(1) Except as provided in Paragraph (8), partnerships, as such, are not subject to income taxation under Georgia Law, but are required to make returns of income. The members of a partnership are, however, taxable upon their distributive shares of net income of such partnership, whether distributed or not, and are required to include such distributive share in their returns. The net income of the partnership shall be computed in the same manner and on the same basis as the net income of an individual, except that the declaration of contributions or gifts is not permitted, as these are allowable deductions subject to the limitations provided by the Internal Revenue Code of 1986 to the respective partners in their returns.

(2) Each partner is required to include in the person's return, for the person's taxable year within which or with which the taxable year of the partnership ends, the person's distributive share of the net income of the partnership, whether or not distributed.

(3) Where the result of partnership operation is a net loss, the loss

will be divisible by the partners in the same proportion as net income would have been divisible (or, if the partnership agreement provides for the division of a loss in a manner different from the division of a gain, in the manner so provided), and may be taken by the partners in their return of income.

(4) Payments made to a partner for services rendered or for interest on capital contributions are not deductible in computing the net income of the partnership, such payments being held to represent a division of partner profits.

(5) Every partnership, including foreign partnerships, the members of which are subject to taxation under Georgia law, shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this law, and shall include in the return the names and addresses of the members who would be entitled to share in the net income if distributed and the amount of the distributive share of each member. The return must be signed as provided by Regulation 560-3-2-.27.

(6) Where one or more of the members is a resident of Georgia but a member of a partnership doing business without the State of Georgia, such resident member or members shall include in the person's return the person's distributive share (whether distributed or not) of the net income of the partnership for the taxable year.

(7) Capital gains and losses shall be excluded in determining the partnership net income. Such sales and exchanges should be shown in detail on the Partnership return but the results should be transferred to the partners' returns in their proportionate share.

(8) **Electing Pass-Through Entity.** See Regulation 560-7-3-.03 for the rules regarding a partnership that makes the election to pay tax at the entity level.

(9) **Effective Date.** The principles set forth in this regulation will apply to taxable years beginning on or after January 1, 2022. Taxable years beginning before January 1, 2022 will be governed by the regulations of Chapter 560-7 as they exist before January 1, 2022 in the same manner as if the amendments thereto set forth in this regulation had not been promulgated.

Authority O.C.G.A. §§ 48-2-12, 48-7-23, 48-7-24, and 48-7-53.